



Employers Need To Be Wary About Renewed Unemployment Fraud

Insights

11.30.20

Imagine learning that your organization has received an official notice from a state department of labor office noting that your application for unemployment benefits has been approved in connection with your recent layoff, and that you have been awarded and will soon begin receiving unemployment benefits. This could come as a surprise, especially if you don't recall ever being laid off by your organization and believed your job was fairly secure. After the shock wears off, you remember that, yes, you are still employed as a senior executive – and you start wondering whether this must be some kind of cruel joke or error.

Unfortunately, during these unusual and uncertain times, we have been hearing many stories like this lately. Many state unemployment offices are overwhelmed and are either making errors in the face of record-setting claims, or are less equipped to deal with a corresponding uptick in fraudulent activity. Many organizations encountering such a scenario are frustrated that they cannot reach the unemployment office officials to see what the problem may be. So what should or can be done?

What Specifically Are We Seeing And Hearing?

Many states are encountering and dealing with an increase in various fraudulent schemes that have cropped up these very unusual times. In one of the most common scenarios, scammers access personal information on the dark web, file a claim on that person's behalf, and then attempt to intercept the money from a person's mailbox. Some states are seeing more fraud than others – it seems to depend upon how sophisticated and capable the state's systems are at detecting and dealing with it.

For example, widespread allegations of unemployment fraud, especially with Pandemic Unemployment Assistance claims, caused California to recently freeze new unemployment claims for two weeks. Similarly, many unemployment claims have been locked in Arkansas due to ongoing fraud investigations. But in some cases, it doesn't even matter where you are located. Some people have reported receiving a notice of claims filed in a state, or in multiple states, where they have never even worked or lived.

Each state has responded to allegations of fraud in their own way. Some states have taken the position that, because they denied the fraudulent benefit claim, it is not an ongoing issue to pursue and they do not need to waste further time investigating it.

It doesn't appear that a specific type of industry or organization is most likely to be targeted by these types of scams. The fraud seems to have taken hold against a wide spectrum of employees across the country. Sophisticated scammers have targeted school employees, first responders, government employees, and retired individuals, among others.

And the rise in fraudulent claims doesn't seem to be going away – and may actually increase in the near future. If Congress passes another COVID-19 relief bill that increases unemployment benefit dollar amounts, it seems likely that we will see a rise in new incidences of unemployment scams.

What Are The Potential Consequences?

Besides being an annoying headache that your organization may have to sort through, what kinds of consequences can arise from these kinds of fraudulent claims? Unfortunately, they may have negative repercussions for your organization and your workforce. Your company may see charges and increases to your contribution rates as a result of an increase in claims. And any employees who have claims filed in their name may struggle to obtain benefits if it becomes necessary later on for them to file valid claims.

And, of course, these schemes can lead to problems on a large-scale basis as well. Federal and state governments are already facing overwhelmed unemployment systems, and the increase in fraud has led to millions of dollars in losses, long claim processing times, and government agencies having to allocate scarce resources to identifying, investigating, and preventing fraud. And this kind of fraud and heightened backlogs cloud the collection and reporting of unemployment data, making it difficult to discern actual levels of unemployment.

What Should You Do?

The best step you can take is to prepare your organization before any such fraudulent claim lands on your desk. Educate your workforce about these kinds of problems and encourage them to be alert and aware of the dangers that could be lurking.

If your organization faces a suspected case of unemployment fraud, or if any of your employees or former employees have this happen to them, you should first check your state's unemployment website to find information and resources for identifying and reporting unemployment insurance fraud. Some states refer individuals to fraud entities, credit bureaus, or other related agencies. Individuals impacted by suspected fraud are often advised to freeze their credit and get an identity protection service. If you have additional questions after such an incident, you should get in touch with your Fisher Phillips attorney.

It is unfortunate that, during these difficult times, with many people losing jobs and businesses struggling to survive, there are those who seek to capitalize and take advantage of the situation. By sounding the alarm about these dangers, hopefully your organization can remain vigilant, stay alert, and take action if necessary.

Related People



C. R. Wright
Partner
404.240.4263
[Email](#)

Service Focus

Counseling and Advice